

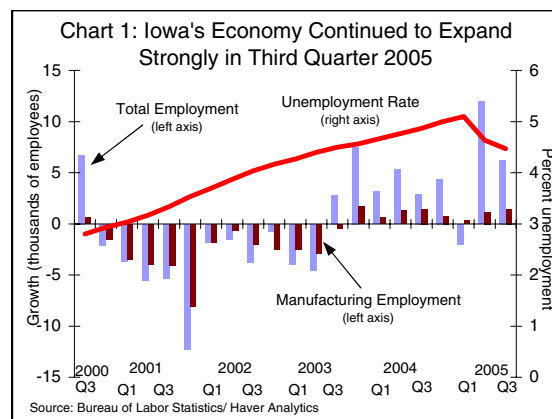
FDIC State Profile

Winter 2005

Iowa

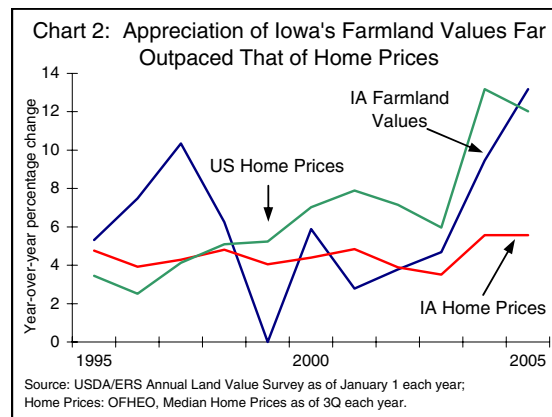
Iowa's economic expansion continued in third quarter 2005, but recovery in the manufacturing sector was slow.

- Iowa's economy gained more than 6,000 jobs in the third quarter, contributing to an increase of more than 16,000 jobs in the first nine months of 2005 (see Chart 1). Iowa's economy has regained 42,000 of the 45,000 jobs lost during the 2000 to 2003 downturn.
- While 1,500 manufacturing jobs were added in the third quarter, contributing to 3,000 jobs gained in the first nine months of 2005, the sector is still more than 26,000 jobs below the peak level achieved in first quarter 1999.
- Continued job growth caused unemployment in the third quarter to slightly decline to 4.5 percent, the lowest level since third quarter 2003.



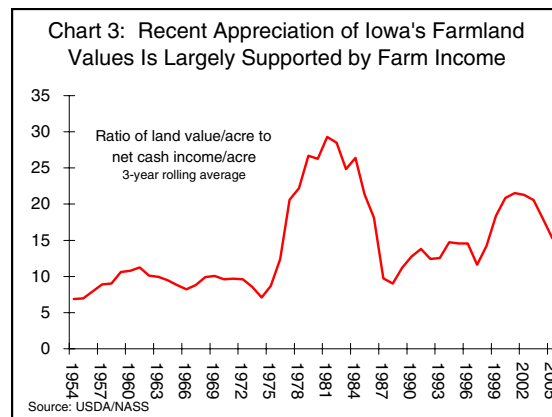
The value of Iowa farmland surged 13.2 percent in 2005.

- Iowa's home prices have appreciated considerably less than the national average and less than the state's farmland values (see Chart 2).
- According to the United States Department of Agriculture, Iowa farmland values increased 13.2 percent to \$2,490 per acre in 2005. While this is a record for Iowa farmland value in nominal terms, when adjusted for inflation, the 2005 farmland price is only 65 percent of that achieved in 1980, when farmland values reached historic levels.



Still, Iowa's farmland values have risen more slowly than net cash farm income in recent years.

- After the mid-1980s, the ratio of Iowa's farmland value to net cash farm income (per acre) has historically varied over a narrow range. From 1985 to 1999, the ratio was stable at around 13, implying that farmland value was closely related to the level of cash income produced on the land (see Chart 3). The price-income ratio had skyrocketed to an average of 27 from 1977 to 1984, reflecting the spike in land prices during that period.
- The past six years have seen variability in the ratio. From 1999 to 2000, farmland values rose faster than farm income, pushing the ratio above 17. However, strong crop yields and high levels of government payments led to solid



State Profile

income from 2003 to 2005, which more than offset rapidly increasing prices and pushed the ratio down to 15.

Iowa's insured institutions report continuing strong operating results, but deposit disintermediation appears to have returned.

- Third quarter earnings performance dipped slightly from one year earlier but remained solid. Iowa's insured institutions reported a median 3.72 percent net interest margin and 1.14 percent return on assets. Additionally, strong loan growth continued. The third quarter 2005 median loan-to-asset ratio increased 2.7 percentage points from third quarter 2004 to 67.5 percent after increasing 2.1 percentage points from the similar 2003 to 2004 period.
- While institution deposit-to-asset ratios stabilized from 2000 to 2003, coinciding with declining desirability of alternatives to deposits such as stock investments, the resurgence of equities is again causing deposit levels to lag (see Chart 4).

Stronger demographics have led to higher deposit growth rates in Iowa's metropolitan areas.

- Annual Summary Deposits data as of June 30, 2005, show that deposit growth among community bank branches in Iowa's metropolitan areas has substantially outpaced the rest of the state over the past five years.¹ Primarily, this is indicative of the growing polarity in Iowa's population growth (see Table 1).
- Seeking better growth opportunities, an increasing number of nonmetropolitan-based institutions in Iowa are opening branches in metropolitan areas. In 1995, 4 percent of banks headquartered in nonmetropolitan Iowa had branches in metro areas. That proportion has steadily increased, registering 7 percent in 2000 and 13 percent in 2005.
- Although branching into metro areas might provide increased deposit growth opportunities for some institutions, it might also subject them to greater direct competition with significantly larger institutions.

While statewide bank branch growth continues in Iowa, large bank control is declining.

- Bank branch growth in Iowa was strong during the past year. The number of bank branches in Iowa increased 2.3 percent from June 2004 to June 2005 to 1,577 branches.
- Branch growth was concentrated in Iowa's urban areas. Iowa's two largest metropolitan centers—**Des Moines**

and **Cedar Rapids**—grew 5.3 percent and 3.7 percent, respectively. The number of rural bank branches remained unchanged at 627 branches.

- Much of the bank branch growth has been at smaller organizations—those with combined assets of \$10 billion or less. Larger organizations have slowly shed branch locations, and their percentage of branches has declined (see Chart 5). Some branches of large organizations were acquired by smaller organizations, while smaller and new bank organizations have been adding bank branches.

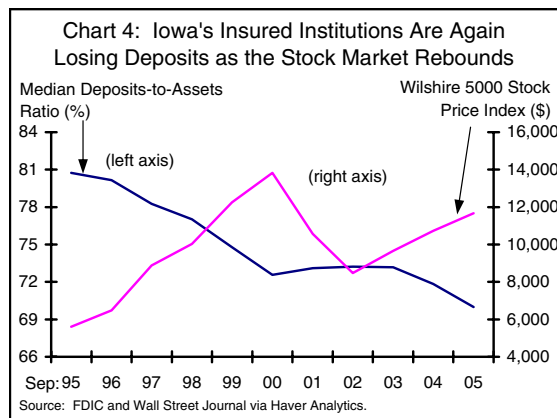
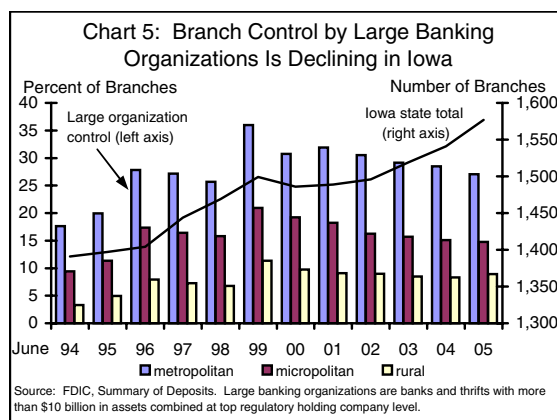


Table 1: Community Bank Deposit Growth Is Stronger in Iowa's Metropolitan Areas

Iowa Branch Location	Deposit Growth	Population Growth
Metropolitan	7.7	0.7
Micropolitan	4.4	-0.2
Rural	5.2	-0.4
Statewide	5.8	0.2

Source: FDIC, U.S. Census Bureau, Community banks in operation since at least 1997. Annualized growth rates: deposits '00-'05, population : '00-'04.



¹For this Profile, the term "branches" includes banking facilities in main offices and branch locations.

Iowa at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q3-05	Q2-05	Q3-04	2004	2003
Total Nonfarm (share of trailing four quarter employment in parentheses)	1.2%	1.1%	1.3%	1.1%	-0.5%
Manufacturing (15%)	1.7%	1.6%	2.4%	1.3%	-3.2%
Other (non-manufacturing) Goods-Producing (5%)	-0.1%	-0.5%	4.2%	5.1%	1.0%
Private Service-Producing (63%)	1.5%	1.5%	1.2%	1.1%	-0.1%
Government (17%)	0.2%	-0.4%	-0.1%	-0.2%	0.4%
Unemployment Rate (% of labor force)	4.5	4.6	4.9	4.8	4.4

Other Indicators	Q3-05	Q2-05	Q3-04	2004	2003
Personal Income	N/A	5.1%	8.0%	8.9%	1.9%
Single-Family Home Permits	14.4%	-4.9%	-9.6%	-2.4%	25.9%
Multifamily Building Permits	42.6%	34.5%	-17.4%	-13.5%	-14.0%
Existing Home Sales	6.7%	6.2%	8.5%	13.9%	6.8%
Home Price Index	5.6%	5.7%	5.6%	4.9%	3.7%
Nonbusiness Bankruptcy Filings per 1000 people (quarterly annualized level)	6.66	5.78	4.31	4.41	4.18

BANKING TRENDS

General Information	Q3-05	Q2-05	Q3-04	2004	2003
Institutions (#)	411	413	416	414	422
Total Assets (in millions)	52,657	51,737	50,181	51,091	55,932
New Institutions (# < 3 years)	5	5	3	3	6
Subchapter S Institutions	203	204	192	192	188

Asset Quality	Q3-05	Q2-05	Q3-04	2004	2003
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.18	1.27	1.36	1.11	1.35
ALLL/Total Loans (median %)	1.20	1.22	1.25	1.24	1.27
ALLL/Noncurrent Loans (median multiple)	2.52	3.00	2.25	2.74	2.45
Net Loan Losses / Total Loans (median %)	0.00	0.00	0.01	0.05	0.07

Capital / Earnings	Q3-05	Q2-05	Q3-04	2004	2003
Tier 1 Leverage (median %)	9.50	9.37	9.46	9.34	9.09
Return on Assets (median %)	1.13	1.14	1.25	1.13	1.12
Pretax Return on Assets (median %)	1.42	1.46	1.54	1.44	1.44
Net Interest Margin (median %)	3.72	3.77	3.83	3.80	3.79
Yield on Earning Assets (median %)	5.93	5.82	5.62	5.57	5.84
Cost of Funding Earning Assets (median %)	2.21	1.99	1.71	1.71	2.01
Provisions to Avg. Assets (median %)	0.04	0.04	0.05	0.06	0.08
Noninterest Income to Avg. Assets (median %)	0.54	0.52	0.54	0.55	0.57
Overhead to Avg. Assets (median %)	2.55	2.54	2.56	2.60	2.63

Liquidity / Sensitivity	Q3-05	Q2-05	Q3-04	2004	2003
Loans to Assets (median %)	67.5	67.1	64.8	64.4	61.5
Noncore Funding to Assets (median %)	18.5	17.5	16.2	15.5	14.6
Long-term Assets to Assets (median %, call filers)	14.9	15.4	16.7	16.3	16.6
Brokered Deposits (number of institutions)	113	104	90	96	84
Brokered Deposits to Assets (median % for those above)	2.8	2.6	2.4	2.2	1.3

Loan Concentrations (median % of Tier 1 Capital)	Q3-05	Q2-05	Q3-04	2004	2003
Commercial and Industrial	93.5	94.3	85.3	87.7	84.4
Commercial Real Estate	103.8	97.3	94.7	92.8	90.3
Construction & Development	15.7	13.0	12.0	12.1	10.9
Multifamily Residential Real Estate	2.8	2.4	2.3	2.5	2.3
Nonresidential Real Estate	73.5	72.6	69.1	70.6	66.2
Residential Real Estate	148.2	150.7	152.3	154.6	152.5
Consumer	37.9	37.1	37.4	37.2	39.7
Agriculture	213.8	212.0	208.4	208.8	207.9

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Omaha-Council Bluffs, NE-IA	74	14,442	< \$250 million	374 (91%)
Des Moines, IA	49	9,845	\$250 million to \$1 billion	32 (7.8%)
Davenport-Moline-Rock Island, IA-IL	46	5,609	\$1 billion to \$10 billion	5 (1.2%)
Cedar Rapids, IA	43	3,783	> \$10 billion	0 (0%)
Iowa City, IA	20	2,155		